HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Harriett Baldwin MP
Chair of the Treasury Select Committee
House of Commons
Westminster
London
SW1A 0AA

10 April 2024

Dear Dame Harriett,

Treasury Committee oral evidence: Spring Budget 2024 follow-up

At my session with the Committee on Wednesday 13 March I confirmed that I would write with more detail to address the questions members raised. The reference numbers after each header refer to the relevant points in the transcript of that session.

Cost disclosures [Q258]

The government has set out its plans to reform and replace EU-inherited retail cost disclosure requirements. The government has already made significant changes to the 'Key Information Document' in the Financial Services Act 2021. The government is now reforming the UK's retail disclosure regime, replacing PRIIPs with a new UK retail disclosure framework for Consumer Composite Investments, which is tailored to UK markets and firms. The government is currently considering the feedback on the draft legislation it published at Autumn Statement.

The government has noted stakeholders' concerns with current cost disclosure requirements, and in particular their potential impact on the investment company sector. The UK has a world leading investment company sector, which is highly aligned with the government's priority to promote long term, productive investment.

As set out in the consultation response published at Mansion House last year, the government is providing the FCA with tailored powers to put in place a new UK retail disclosure framework. It is the government and FCA's intention that the new rules are more proportionate and tailored to reflect the wide variety of financial instruments in scope of this legislation.

The government intends to lay legislation to deliver this reform in 2024, subject to Parliamentary timing and the FCA will consult on their detailed new rules in due course.

Local Authorities' pension schemes [Q292]

The Secretary of State for Levelling Up is the responsible authority for statute and guidance in relation to Local Government Pension Scheme (LGPS) funds in England and Wales. As you will be aware, local actuarial valuations take place every three years for each of the LGPS funds, with the next valuation due as at March 2025.

I recognise that some local authorities may wish to reduce their employer contributions, particularly if the LGPS fund in which they participate is currently in surplus, with assets expected to exceed liabilities over the long term.

However, funding levels vary widely across the Scheme and may go down as well as up. For the 2025 valuations, LGPS funds are required to set contribution rates in the usual way and with the fund's primary duty in mind, which is to pay members' pensions. Funds should also seek to maintain stability in contributions where possible as required by LGPS regulations, which applies equally when funds are in surplus or deficit. Please note the LGPS Scheme Advisory Board has recently published guidance[1] on funds that are in surplus.

Distributional analysis [Q277]

Distributional analysis published at Spring Budget 2024 shows the impact of all government decisions, including tax, welfare, and benefits-in-kind from public services, from Autumn Statement 2022 onwards in 2024-25 to provide the most holistic picture of this government's policies on households across the income distribution. This shows that the overall impact of all decisions is progressive in 2024-25.

British/UK ISA [Q299]

The new ISA is called the British ISA, as I referred to it in my Budget speech.

The British ISA creates a new UK focused tax-free investment opportunity for investors, as part of a wider package to measures to encourage more people to invest in the UK. It signals the government's intention to promote a wider culture of retail investment through which consumers can benefit from growth in UK companies.

This is part of a number of measures the government is taking, building on Mansion House and Autumn Statement announcements, to strengthen the UK's capital markets, boost savings, increase pension fund transparency, and facilitate investment in UK companies.

Advice/guidance boundary [Q300]

The Government recognises that the advice gap is a complex and long-standing issue and sees the joint review we are currently undertaking with the FCA of the advice-guidance boundary as a longer-term project. We want to get this right to ensure that proposals work

[1] https://lgpsboard.org/images/Other/SAB_Statement_on_Surpluses.pdf

for both consumers and firms. The Government and the FCA are currently considering responses to the policy paper published in December 2023 and will update on next steps in due course.

As announced at Spring Budget 2024, the government is committed to exiting its shareholding in NatWest by 2025-26, subject to market conditions and sales representing value for money. In addition to continuing sales via existing methods, the government intends to deliver a retail offering, this summer at the earliest. This process is separate to the Advice Guidance Boundary Review.

More information regarding the potential timing and detail around the structure of a possible retail offer will be shared in due course when preparations are further progressed. The government will of course comply with all relevant legal and regulatory requirements for marketing a financial services product.

I hope this additional information assists the Committee in its scrutiny and I look forward to my departments and your Committee continuing to work together positively. My officials and I remain at your disposal should you have any further questions.

Best wishes,

Jeremy

RT HON JEREMY HUNT MP
Chancellor of the Exchequer